

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY MANILA

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E.O. 11652: N/A

TAGS: EGEN, RP

SUBJECT: PATERNO MEETING WITH PHIL-AM CHAMBER

REF: MANILA 3420

1. MEETING OF PATERNO WITH BOARD OF PHIL-AM CHAMBER TOOK PLACE MARCH 27 AS PLANNED. SINCE MEETING REQUESTED BY PATERNO FOR LIMITED GROUP ON OFF-RECORD BASIS, CHAMBER WAS NOT CERTAIN USG PARTICIPATION EXPECTED AND DEPTOFF DID NOT ATTEND. HOWEVER, FOLLOWING ACCOUNT RECEIVED FROM SEVERAL PARTICIPANTS.

2. PURPOSE OF MEETING APPEARED TO BE TO REASSURE FIRMS RE GOP INTENT ON LAND HOLDINGS. MAIN POINT WAS REITERATION THAT GOP WOULD NOT MOVE FOR ESCHEAT IF COMPANIES ACTED IN GOOD FAITH, WITH WRITTEN PROPOSALS FOR LAND DIVESTITURE, BY MAY 27. ALSO STRESSED GOP FLEXIBILITY AND WILLINGNESS TO ACCEPT VARIOUS PLANS ON CASE-BY-CASE BASIS. NOTED PRESIDENTIAL DECREE ISSUED EARLY MARCH (PD 647?), DESIGNATING NATIONAL DEVELOPMENT CORPORATION AS GOVERNMENT AGENT TO HOLD LAND INTERESTS, WHERE THAT APPROACH PREFERRED.

3. PATERNO GAVE FOLLOWING COMMENTS IN RESPONSE TO SPECIFIC QUESTIONS:

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A. COULD OTHER GOVERNMENT AGENCIES HOLD LAND?

ANSWER: PROBABLY NOT.

B. MIGHT NDC SOMETIME REVERT TO PRIVATE STATUS?

ANSWER: NO

C. COULD FIRMS SUBLET LAND? ANSWER: NO

D. WOULD BUILDINGS AND IMPROVEMENTS HAVE TO BE
DIVESTED AS WELL AS LAND? ANSWER: "SOME OVER CAUTIOUS
LAWYERS" THINK SO BUT GOP DOES NOT AGREE AS FAR AS
BUILDINGS ARE CONCERNED, ALTHOUGH SOME IMPROVEMENTS SUCH
AS ROADS WOULD HAVE TO BE TREATED AS PART OF THE LAND.

E. WHAT WOULD BE BASIS FOR CALCULATING RENTS?

ANSWER: IF LAND DONATED, RENTS COULD BE NOMINAL, BUT IF
LAND SOLD, COSTS WOULD HAVE TO BE AMORTIZED OVER LEASE
PERIOD, INCLUDING INTEREST COSTS NOW ESTIMATED AT 9.

4. ON RELATED QUESTIONS OF INVESTMENT POLICY PATERNO
SAID: A: GOP FAVORS DIVERSIFYING FOREIGN INVESTMENT BY
ATTRACTION FROM NEW SOURCES AND TO NEW SECTORS, NOT BY
FORCING OUT ANYONE NOW THERE, B: ALL NEW INVESTMENT IN
NATURAL RESOURCES AREAS MUST BE AT LEAST 70 FILIPINO
OWNED.

5. PARTICIPANTS CONSULTED BY DEPARTMENT COMMENTED THAT
MEETING HAD DESIRED REASSURING EFFECT. ALTHOUGH SOME
COMPANIES CONTINUE TO HOLD OUT MOST HAVE ACCEPTED THE END
OF VESTED RIGHTS AND THE NEED FOR DIVESTITURE AND WERE
ENCOURAGED BY PATERNO'S REASONABLE AND FLEXIBLE APPROACH.
CHAMBER OFFICIALS COMMENTED IN FACT THAT THEY FEEL
HOLDING OUT IS A FOOLISH MISTAKE AND THAT THE CHAMBER MAY
PUT OUT A RECOMMENDATION TO ITS MEMBERS THAT THEY FILE
DIVESTITURE PLANS BY MAY 27.

6. REQUEST EMBASSY CABLE TEXT OF DECREE CITED PARA 2
ASSUMING REFERENCE CORRECT. KISSINGER

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